

Teacher Retirement System of Texas

A Great Value for All Texans

February 2015

TRS Vision

Earning your trust every day.

TRS Core Values

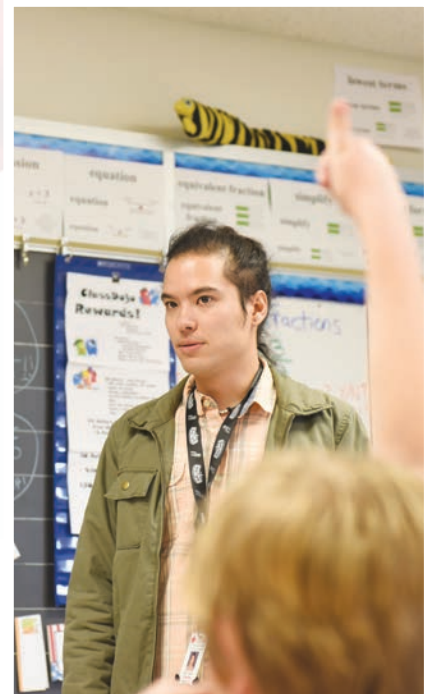


TRS Mission Statement

Improving the retirement security of Texas educators
by prudently investing and managing trust assets
and delivering benefits that make a positive difference
in members' lives.

A GREAT VALUE FOR ALL TEXANS

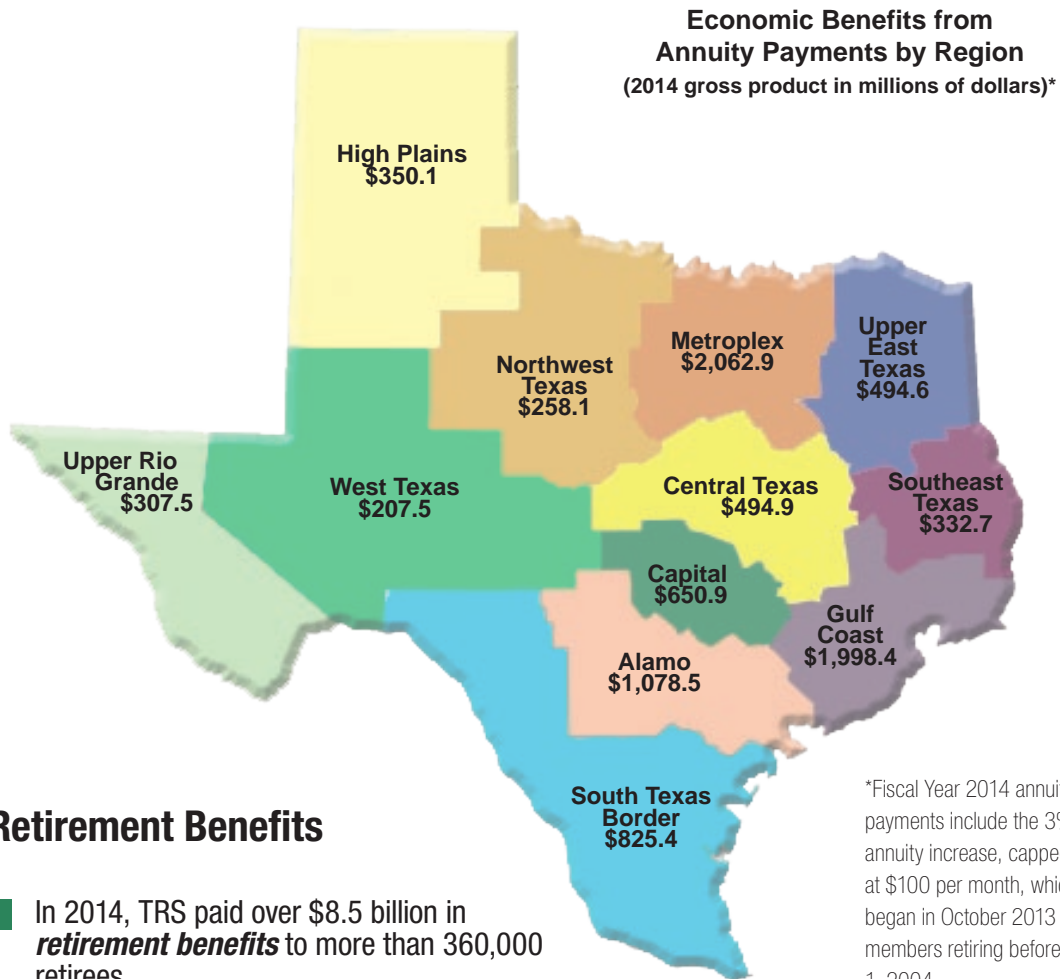
The Teacher Retirement System of Texas (TRS) is one of the largest retirement systems in the nation. The system's core mission is to make a positive difference in the lives of Texas educators by prudently investing and managing trust assets and delivering member benefits. Not only does TRS provide great value to its members, it also benefits all Texans by adding significant dollars to the state and local economies.



TRS has grown dramatically since its inception in 1937, from 38,000 members to more than 1.4 million participants.

Value to the Texas Economy

Benefits Stay in Texas and Stimulate the Economy



Retirement Benefits

- In 2014, TRS paid over \$8.5 billion in **retirement benefits** to more than 360,000 retirees.
- Over \$8.1 billion of these retirement benefits were for service retirements, with the balance for disability, death and survivor benefits.
- Nearly 95% of these benefit payments, or approximately \$8 billion, went directly to members who live and spend these dollars in Texas.

*Fiscal Year 2014 annuity payments include the 3% annuity increase, capped at \$100 per month, which began in October 2013 for members retiring before Sept. 1, 2004.

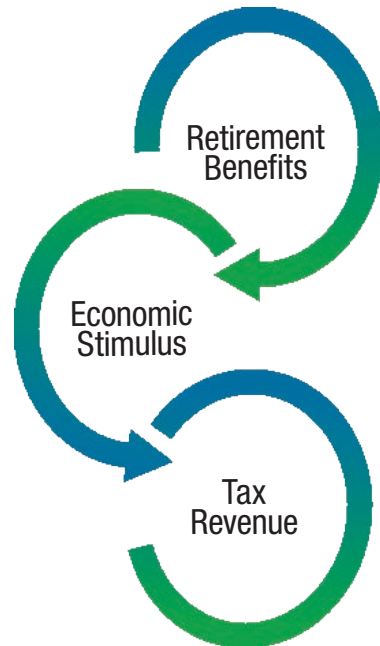
Source: "The Impact of Annuity Payments by the Teacher Retirement System on Texas and Local Areas Within the State" (The Perryman Group, November 2014)

Economic Stimulus

- Retirees spending their benefits provide a notable *economic stimulus* to communities throughout the state.
- When spent locally, these payments generate additional expenditures on an ongoing basis.
- The estimated increase in business activity generated by retirement benefit payments is illustrated below:

Annual Impact of Payments on Texas Business (2014)	
Total Expenditures	\$ 18.9 billion
Personal Income	\$ 5.6 billion
Permanent Jobs	112,939

Every \$1 in benefits paid by TRS generates \$2.34 in economic activity.



Tax Revenue

- Retirement benefits and the economic stimulus the benefits produce generate *tax revenue*.
- Over \$892 million in state revenues and \$342 million in local government revenues were generated in 2014.

Source: "The Impact of Annuity Payments by the Teacher Retirement System on Texas and Local Areas Within the State" (The Perryman Group, November 2014)



Economic Impact by Industry

All major industrial sectors experienced gains in business activity resulting from TRS annuity payments. Industry groups experiencing the largest effects include:

INDUSTRY	GROSS PRODUCT <small>In millions</small>	JOBS
Restaurants	\$901.8	20,706
Motor Vehicle & Parts Dealers	\$692.5	10,363
Health Services	\$696.9	9,291

Source: “The Impact of Annuity Payments by the Teacher Retirement System on Texas and Local Areas Within the State” (The Perryman Group, November 2014)

Investing in Texas Businesses

TRS provides capital for businesses in Texas. TRS has \$6.0 billion worth of holdings in Texas-based businesses and \$9.6 billion invested or committed to Texas-based money managers.

Retiree Volunteer Hours

In 2013, retirees contributed over 5.2 million volunteer hours to Texas communities valued at an estimated \$122 million.

Source: Texas Retired Teachers Association



Value for State & Member Contributions

Benefits from Member Contributions

By contributing to TRS, school employees are investing in a retirement program that provides several major advantages.

- Retirement security– About 95% of TRS public school members do not participate in Social Security. As a result, employees in these districts are not eligible for Social Security when they retire.
- Freedom from investment decisions– Rather than having to buy and sell investments, rebalance portfolios, and reallocate assets based on their age, TRS members can count on a strong team to manage their contributions before and after retirement.
- Protection from investment risk–TRS members are assured that their pensions will not be affected even by declines in financial markets.
- Certainty of payments–TRS members know that they will not outlive their monthly benefits. And, if they are married, they have the option of payments that continue throughout their lifetime or that of their spouse, whichever is longer.

Changes to Contributions

Beginning in fiscal year 2015, the member contribution rate will gradually increase to 7.7% by fiscal year 2017.

In fiscal year 2015, non-Social Security school districts and charter schools began contributing 1.5% of the statutory minimum salary for employees whose positions are subject to the state minimum salary schedule.

Contributions to TRS Pension Fund

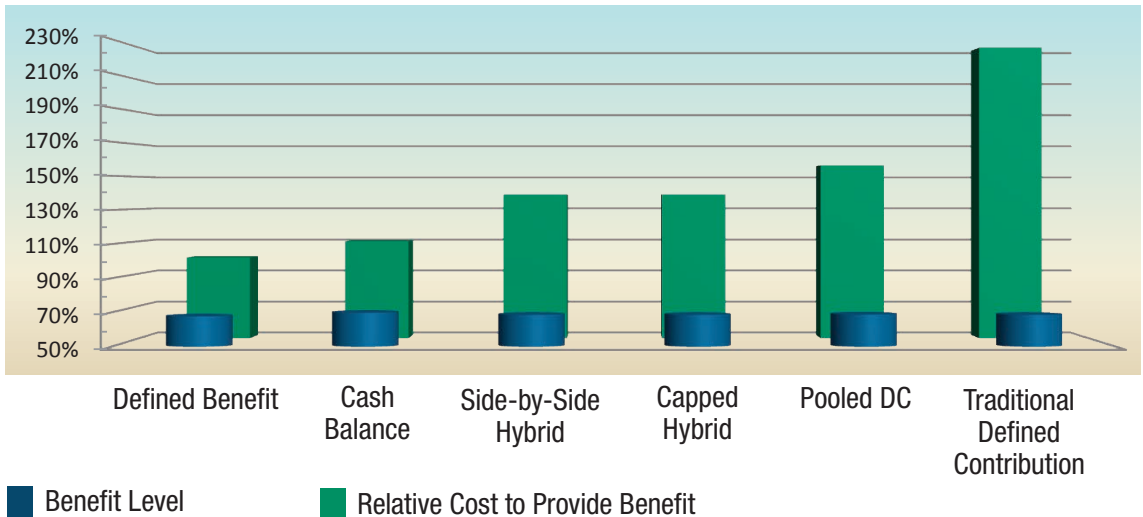
Contribution Rate			
Fiscal Year	State	Member	Employer
1990 - 1991	7.65%	6.40%	—
1992 - 1995	7.31%	6.40%	—
1996 - 2007	6.00%	6.40%	—
2008 - 2009	6.58%	6.40%	—
2010 - 2011	6.64%	6.40%	—
2012	6.00%	6.40%	—
2013	6.40%	6.40%	—
2014	6.80%	6.40%	—
2015	6.80%	6.70%	1.50%

In 2014, more than 873,000 active TRS members contributed over \$2.3 billion to the TRS Pension Trust Fund.

Greater Efficiency from Defined Benefit Plans

Actuarial modeling shows that to provide the same level of benefits, other plan designs (such as traditional defined contribution plans) are 10 percent to 130 percent more expensive than the current TRS defined benefit plan.

Cost to Provide Current Benefits by Plan Design



Defined Benefit (like TRS)—Members and state contribute to an investment pool which is professionally managed. Retirement eligibility is based on service time and age. Members receive an annuity determined by service time and salary.

Cash Balance Plan—Member receives pay and investment credits into a “virtual account.” Contributions are pooled and professionally managed. At retirement, account balance can be annuitized.

Side-by-Side Hybrid—Members and state contribute to both a small defined benefit plan and a small defined contribution plan with the idea that both plans, together, provide the targeted level of benefits. Defined benefit contributions are pooled and professionally managed. Defined benefit is annuitized. Defined contribution investments are self-directed and can be taken as lump sum.

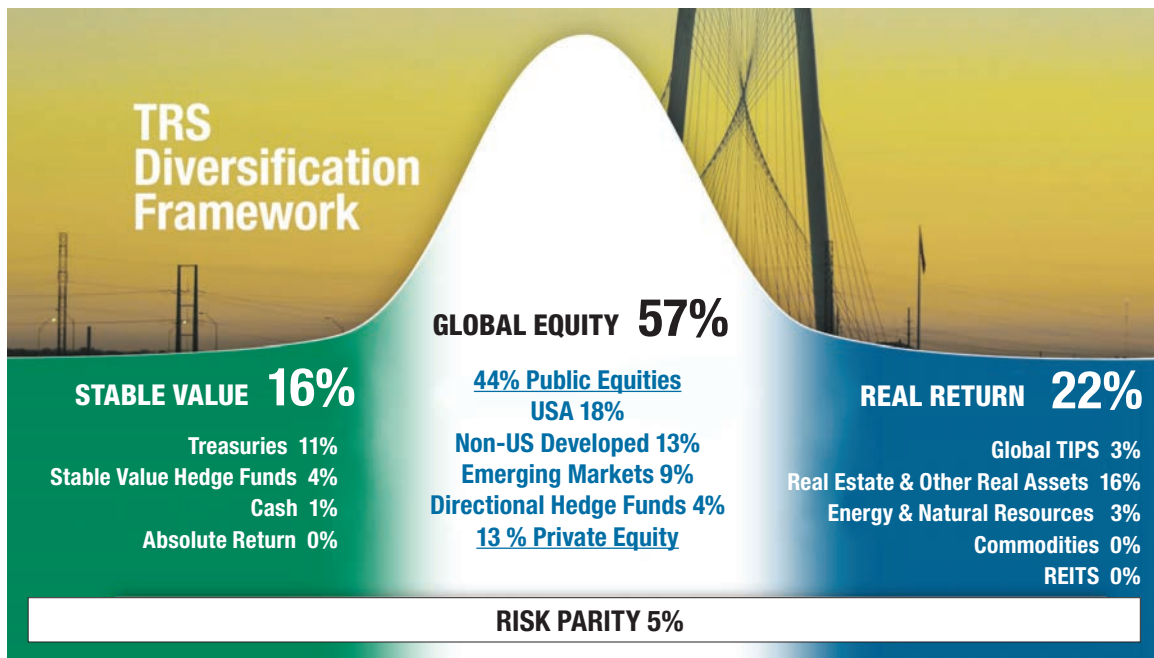
Capped Hybrid—Similar to Side-by-Side Hybrid, but the state contribution is capped and goes first toward paying the actuarially required contribution (ARC). Any remaining contributions after ARC is paid go toward defined contribution plan. Members contribute to defined contribution plan and are responsible for paying any portion of the ARC above the state’s capped contribution.

Pooled Defined Contribution—Like a traditional defined contribution plan, but contributions are pooled and professionally managed. Lump sum distribution at retirement.

Traditional Defined Contribution (like 401(k), 403(b), and 457 plans)—Investments are self-directed and member must manage account for duration of retirement.

Source: TRS Pension Benefit Design Study, Sept. 1, 2012

Value from Investments



Strengths of the TRS Pension Trust Fund

The TRS pension trust fund is:

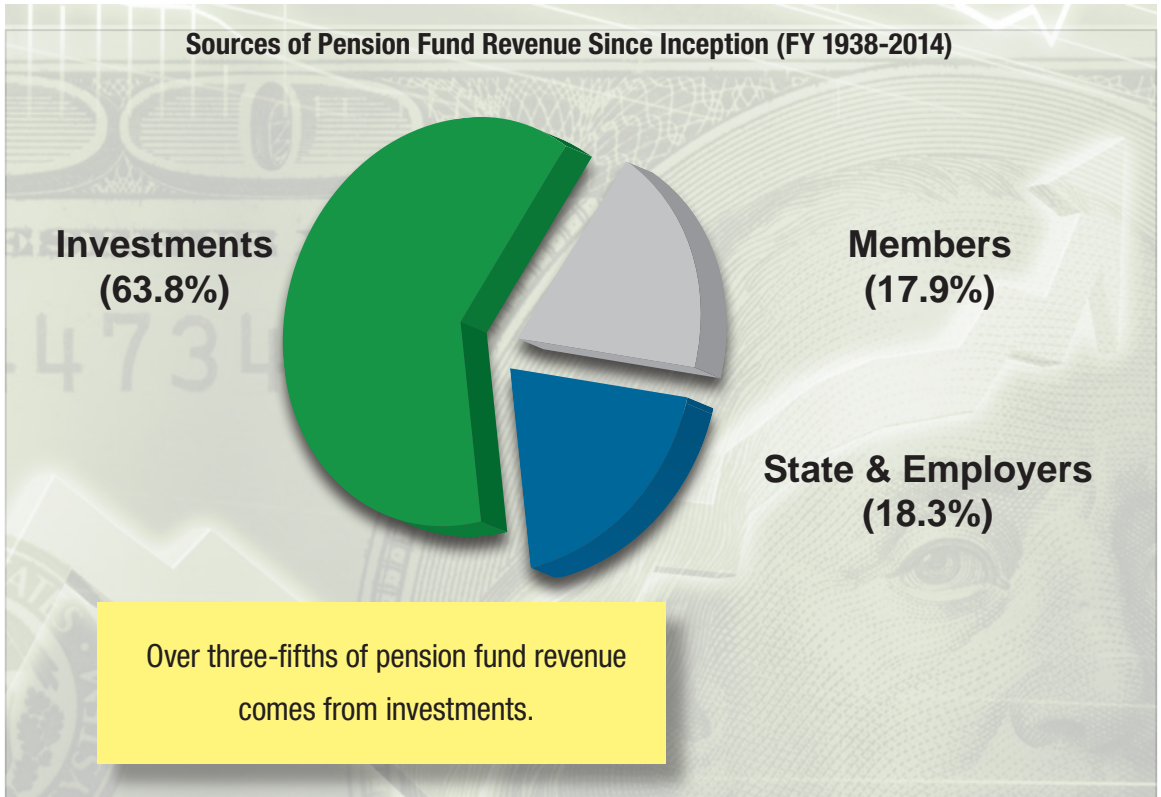
Large – With a market value of over \$130 billion as of December 2014, TRS manages the seventh largest US public pension fund. The fund's size enables TRS to pursue large attractive opportunities not available to a majority of the marketplace.

Long-term – TRS' size and membership composition allow for a long-term view in managing the investment portfolio and avoiding short-term investment limitations and constraints.

Liquid – With over \$93 billion in highly liquid assets (approximately 70% of the total portfolio), the TRS portfolio is structured with access to liquidity well in excess of what is needed to pay regular monthly benefits.

Not Leveraged – The TRS investment portfolio has low levels of leverage (the use of borrowed funds to make investments). Because of this, TRS is better able to withstand periods of market volatility and less likely to sustain permanent capital losses during market downturns.

Investment Performance is Vital to Funding Benefits



Annualized Returns (Periods ending Dec. 31, 2014)

Time Period (Years)	Return (Percentage)
1	8.5%
3	11.5%
5	10.1%
10	6.6%
25	8.6%



Value to Public Education

TRS Provides Financial Security to Public Educators and Their Families

TRS serves a vital role to more than 1.4 million active and retired state educators:

- One out of every 20 Texans is a member of TRS;
- 74% of annuitants are female; and
- 285 annuitants are age 100 or older.

In 2014, TRS provided:

- \$164 million in disability benefits; and
- \$252 million in death and survivor benefits.



2014 Annuity Distribution Excluding Partial Lump Sum

Monthly Annuity	Number of Annuitants	Percent of Annuitants
\$0 - \$1,000	105,171	30.2%
\$1,001 - \$2,000	81,503	23.4%
\$2,001 - \$4,000	133,070	38.2%
\$4,001 - \$6,000	23,965	6.9%
\$6,001 - \$8,000	3,556	1.0%
>\$8,000	999	0.3%
TOTAL	348,264	100.0%

2014 average monthly life annuity: \$1,995

High Quality Service to Satisfied Members

In 2014, retiree satisfaction was particularly high, with an overall approval rating (satisfied or very satisfied) of 97.9%. Active members also gave TRS a very high overall rating (satisfied or very satisfied) of 97.3%.

Source: 2014 TRS Member Satisfaction Survey, University of North Texas Survey Research Center



Continuously Improving Member Services

TRS continues to improve service delivery and communication with members. *MyTRS*, the online access section of the TRS website allows active members and retirees to conduct convenient business transactions online, to review important announcements, and to receive TRS publications electronically.

As an **active** member, you can:

- View retirement estimates and statements of account
- Update contact information
- Sign up for email subscriptions

As a **retiree**, you can:

- Update contact information
- View your most recent 1099-R form(s)
- View your annual TRS-Care health benefits

Visit the TRS homepage and click on the social media icons or visit the links below:



www.facebook.com/TeacherRetirementSystemofTexas



www.twitter.com/trsoftexas



www.youtube.com/trsoftexas



www.linkedin.com/company/teacher-retirement-system-of-texas

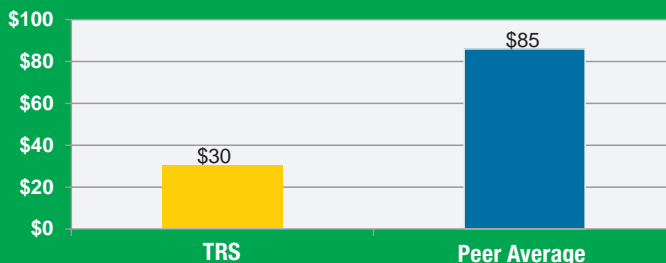
As part of the TRS commitment towards transparency, TRS provides live webcasts of all board meetings. The board meeting agendas are linked to the meeting videos and archived for later viewing. Board meeting books, with charts and tables used in presentations, are available while watching a live broadcast. They are then archived for easy on-demand viewing through a cataloged, searchable agenda item menu.

Low Administrative Cost

According to an independent study, the pension administration cost of TRS is well below that of other similarly sized systems.

Source: "Defined Benefit Administration Benchmarking Analysis, Fiscal Year 2013," CEM Benchmarking, Inc. (July 2014)

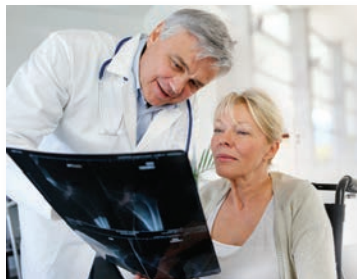
Pension Administration Cost Per Active Member and Annuitant



TRS Facilitates Several Valuable Programs

In addition to delivering pension benefits to public educators, TRS offers participation in other optional health and retirement programs for members:

TRS-Care - The health care program for public school retirees expended almost \$1.4 billion for services covering over 244,000 participants in 2014.



TRS-ActiveCare - The health care program for active public school employees expended almost \$1.7 billion for services covering over 459,000 participants in 2014.



403(b) Certification and Product Registration - TRS publishes information on companies meeting 403(b) certification requirements and the 403(b) products registered by these companies.

TRS403(b) Program

A large part of the \$3.1 billion in expenditures for TRS-Care and TRS-ActiveCare is paid to providers in Texas.

COUNTY NAME	ANNUITY PAYMENTS (in millions)	NUMBER OF ANNUITANTS
ANDERSON	\$ 19.8	911
ANDREWS	6.4	242
ANGELINA	30.1	1,434
ARANSAS	12.5	554
ARCHER	4.0	181
ARMSTRONG	1.0-5.0	50-250
ATASCOSA	18.7	831
AUSTIN	13.6	566
BAILEY	1.9	94
BANDERA	11.6	497
BASTROP	29.6	1,368
BAYLOR	1.0-5.0	50-250
BEE	11.7	553
BELL	85.7	3,811
BEXAR	539.1	23,388
BLANCO	5.8	262
BORDEN	<1.0	<50
BOSQUE	9.5	443
BOWIE	32.3	1,451
BRAZORIA	109.9	4,387
BRAZOS	99.3	4,383
BREWSTER	5.0-11.0	251-500
BRISCOE	1.0-5.0	50-250
BROOKS	1.0-5.0	50-250
BROWN	20.3	905
BURLESON	10.0-20.0	501-1000
BURNET	26.0	1,088
CALDWELL	16.9	814
CALHOUN	8.4	394
CALLAHAN	6.8	298
CAMERON	119.0	5,131
CAMP	5.1	224
CARSON	3.3	148
CASS	14.1	648
CASTRO	2.7	132
CHAMBERS	16.2	665
CHEROKEE	18.6	879
CHILDRESS	2.8	134
CLAY	4.7	220
COCHRAN	1.1	53
COKE	1.0-5.0	50-250
COLEMAN	5.1	225
COLLIN	178.1	6,827

COUNTY NAME	ANNUITY PAYMENTS (in millions)	NUMBER OF ANNUITANTS
COLLINGSWORTH	\$ 1.0-5.0	50-250
COLORADO	11.0	490
COMAL	74.8	2,959
COMANCHE	5.0-11.0	251-500
CONCHO	1.9	92
COOKE	15.9	723
CORYELL	18.5	832
COTTLE	1.0-5.0	50-250
CRANE	2.1	80
CROCKETT	1.4	68
CROSBY	2.9	140
CULBERSON	<1.0	<50
DALLAM	1.1	54
DALLAS	554.1	21,108
DAWSON	3.9	204
DE WITT	9.3	457
DEAF SMITH	5.4	247
DELTA	1.0-5.0	50-250
DENTON	169.3	6,679
DICKENS	1.3	59
DIMMIT	4.3	193
DONLEY	2.2	94
DUVAL	5.0-11.0	251-500
EASTLAND	9.0	421
ECTOR	38.5	1,683
EDWARDS	1.0-5.0	50-250
EL PASO	226.4	10,292
ELLIS	51.1	2,110
ERATH	19.6	899
FALLS	6.2	287
FANNIN	14.4	646
FAYETTE	14.2	640
FISHER	1.0-5.0	50-250
FLOYD	3.1	162
FOARD	<1.0	<50
FORT BEND	189.3	7,221
FRANKLIN	5.1	193
FREESTONE	8.1	383
FRIO	5.6	258
GAINES	4.7	203
GALVESTON	169.8	6,992
GARZA	1.9	84
GILLESPIE	10.0-20.0	501-1000

COUNTY NAME	ANNUITY PAYMENTS (in millions)	NUMBER OF ANNUITANTS
GLASSCOCK	\$ <1.0	<50
GOLIAD	4.4	181
GONZALES	8.7	395
GRAY	7.0	327
GRAYSON	47.2	2,043
GREGG	48.1	2,125
GRIMES	11.6	576
GUADALUPE	47.9	2,128
HALE	11.8	505
HALL	1.1	57
HAMILTON	5.0-11.0	251-500
HANSFORD	2.4	92
HARDEMAN	2.4	103
HARDIN	20.4	970
HARRIS	999.5	40,139
HARRISON	24.1	1,128
HARTLEY	1.6	75
HASKELL	1.0-5.0	50-250
HAYS	68.6	2,966
HEMPHILL	1.7	67
HENDERSON	33.2	1,504
HIDALGO	215.9	9,219
HILL	17.3	767
HOCKLEY	11.5	525
HOOD	31.7	1,296
HOPKINS	14.4	665
HOUSTON	11.4	511
HOWARD	10.6	510
HUDSPETH	1.0	50
HUNT	33.2	1,509
HUTCHINSON	7.7	338
IRION	<1.0	<50
JACK	3.5	149
JACKSON	7.4	308
JASPER	16.9	764
JEFF DAVIS	1.0-5.0	50-250
JEFFERSON	95.9	3,990
JIM HOGG	3.4	137
JIM WELLS	17.3	812
JOHNSON	43.3	1,938
JONES	6.1	280
KARNES	6.6	326
KAUFMAN	34.9	1,449

COUNTY NAME	ANNUITY PAYMENTS (in millions)	NUMBER OF ANNUITANTS
KENDALL	\$ 23.5	922
KENEDY	<1.0	<50
KENT	<1.0	<50
KERR	28.2	1,236
KIMBLE	1.0–5.0	50–250
KING	<1.0	<50
KINNEY	2.0	86
KLEBERG	18.1	843
KNOX	1.0–5.0	50–250
LA SALLE	2.6	111
LAMAR	21.4	984
LAMB	4.9	222
LAMPASAS	10.0–20.0	501–1000
LAVACA	10.0–20.0	501–1000
LEE	7.4	350
LEON	5.0–11.0	251–500
LIBERTY	21.2	939
LIMESTONE	9.8	452
LIPSCOMB	1.6	75
LIVE OAK	5.4	255
LLANO	10.0–20.0	501–1000
LOVING	<1.0	<50
LUBBOCK	127.9	5,276
LYNN	2.4	119
MADISON	5.5	258
MARION	3.7	189
MARTIN	1.5	72
MASON	1.0–5.0	50–250
MATAGORDA	16.0	706
MAVERICK	15.2	624
MCCULLOCH	5.0–11.0	251–500
MCLENNAN	84.6	3,790
MCMULLEN	<1.0	<50
MEDINA	22.2	978
MENARD	1.0–5.0	50–250
MIDLAND	40.7	1,705
MILAM	10.6	522
MILLS	1.0–5.0	50–250
MITCHELL	3.5	172
MONTAGUE	9.4	427
MONTGOMERY	147.9	6,069
MOORE	5.2	191
MORRIS	6.6	304

COUNTY NAME	ANNUITY PAYMENTS (in millions)	NUMBER OF ANNUITANTS
MOTLEY	\$ <1.0	<50
NACOGDOCHES	34.0	1,448
NAVARRO	19.4	857
NEWTON	4.6	234
NOLAN	7.6	348
NUECES	124.3	5,334
OCHILTREE	2.7	130
OLDHAM	1.0–5.0	50–250
ORANGE	30.4	1,403
PALO PINTO	11.4	512
PANOLA	9.9	463
PARKER	42.4	1,779
PARMER	3.1	145
PECOS	5.9	265
POLK	22.3	1,017
POTTER	24.9	1,305
PRESIDIO	2.4	106
RAINS	4.5	217
RANDALL	66.9	2,759
REAGAN	<1.0	<50
REAL	1.0–5.0	50–250
RED RIVER	5.8	286
REEVES	4.0	201
REFUGIO	3.9	161
ROBERTS	<1.0	<50
ROBERTSON	10.0–20.0	501–1000
ROCKWALL	29.9	1,104
RUNNELS	5.6	255
RUSK	21.7	1,012
SABINE	4.7	228
SAN AUGUSTINE	4.8	223
SAN JACINTO	11.3	520
SAN PATRICIO	25.1	1,164
SAN SABA	1.0–5.0	50–250
SCHLEICHER	1.5	65
SCURRY	8.1	350
SHACKELFORD	1.3	69
SHELBY	10.5	487
SHERMAN	1.3	53
SMITH	93.1	4,078
SOMERVELL	4.9	212
STARR	16.7	843
STEPHENS	3.9	162

COUNTY NAME	ANNUITY PAYMENTS (in millions)	NUMBER OF ANNUITANTS
STERLING	\$ <1.0	<50
STONEWALL	<1.0	<50
SUTTON	1.6	65
SWISHER	3.2	164
TARRANT	460.6	18,355
TAYLOR	57.0	2,376
TERRELL	<1.0	<50
TERRY	4.8	220
THROCKMORTON	1.0–5.0	50–250
TITUS	10.2	463
TOM GREEN	47.4	2,078
TRAVIS	317.4	12,699
TRINITY	8.5	378
TYLER	8.7	421
UPSHUR	14.3	699
UPTON	1.2	51
UVALDE	13.8	627
VAL VERDE	17.3	739
VAN ZANDT	22.1	1,023
VICTORIA	34.4	1,583
WALKER	37.6	1,503
WALLER	20.7	872
WARD	4.3	221
WASHINGTON	18.0	806
WEBB	67.3	2,713
WHARTON	21.3	917
WHEELER	2.7	123
WICHITA	44.5	1,866
WILBARGER	6.1	274
WILLACY	8.9	401
WILLIAMSON	142.6	5,915
WILSON	18.5	810
WINKLER	2.1	106
WISE	18.9	832
WOOD	23.2	994
YOAKUM	3.4	140
YOUNG	8.0	367
ZAPATA	5.1	222
ZAVALA	5.2	211

TRs has provided selected data in ranges to avoid disclosure of confidential information and to comply with Sections 552.0038 and 825.507, Texas Government Code.

Teacher Retirement System of Texas
1000 Red River Street
Austin, Texas 78701-2698
(512) 542-6400 • 1 (800) 223-8778

www.trs.state.tx.us

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